

MINUTES

**MONTANA SENATE
59th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON ENERGY AND TELECOMMUNICATIONS

Call to Order: By **CHAIRMAN KEN TOOLE**, on April 12, 2005 at 3:00 P.M., in Room 303 Capitol.

ROLL CALL

Members Present:

Sen. Ken Toole, Chairman (D)
Sen. Brent R. Cromley (D)
Sen. Aubyn Curtiss (R)
Sen. Jeff Essmann (R)
Sen. Dan Harrington (D)
Sen. Dave Lewis (R)
Sen. Greg Lind (D)
Sen. Dan McGee (R)
Sen. Gary L. Perry (R)
Sen. Glenn Roush (D)
Sen. Carol Williams (D)

Members Excused: None.

Members Absent: None.

Staff Present: Casey Barrs, Legislative Branch
Claudia Johnson, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SJ 36, 4/5/2005; SJ 39, 4/6/2005
Executive Action: SJ 36; SJ 39

HEARING ON SJ 36

Opening Statement by Sponsor:

SEN. KEN TOOLE (D), SD 41, opened the hearing on **SJ 36**, Study on distributed energy generation.

He stated this is one of the studies that will discuss the potential benefits on extending the distribution of energy in Montana. There is a series of potential small projects where the Legislative Council will be directed to see which ones make the list.

Proponents' Testimony: None.

Opponents' Testimony: None.

Informational Testimony:

Greg Jergeson, Commissioner and Chairman, Public Service Commission (PSC), informed the Committee that the PSC is not taking a position on the bill, but will cooperate if it passes.

Questions from Committee Members and Responses: None.

Closing by Sponsor:

CHAIRMAN TOOLE closed.

HEARING ON SJ 39

Opening Statement by Sponsor:

SEN. KEN TOOLE (D), SD 41, opened the hearing on **SJ 39**, Study possible creation of ongoing energy planning and coordinating entity.

This resolution proposes to look at energy plan coordination in Montana, and looking at one of the various entities organizations that are working on these issues.

Proponents' Testimony: None.

Opponents' Testimony: None.

Informational Testimony:

Greg Jergeson, Commissioner and Chairman, PSC, informed the Committee the PSC is not taking a position on the bill, but will cooperate if it passes.

Questions from Committee Members and Responses:

SEN. MCGEE asked **CHAIRMAN TOOLE** if there will be a interim committee on energy planning and coordinating. **CHAIRMAN TOOLE** said that is what he planned. **SEN. MCGEE** asked if the interim committee would be long-term. **CHAIRMAN TOOLE** stated that it would be determined by the Northwest Planning Council.

Closing by Sponsor:

CHAIRMAN TOOLE closed.

EXECUTIVE ACTION ON SJ 36

{Tape: 1; Side: A; Approx. Time Counter: 8.3 - 9}

Motion/Vote: **SEN. TOOLE** moved that SJ 36 DO PASS. Motion carried unanimously by voice vote. **SEN. ESSMANN** voted aye by proxy.

EXECUTIVE ACTION ON SJ 39

{Tape: 1; Side: A; Approx. Time Counter: 9 - 10}

Motion/Vote: **SEN. TOOLE** moved that SJ 39 DO PASS. Motion carried unanimously by voice vote. **SEN. ESSMANN** voted aye by proxy.

Informational Hearing on Telecommunication Issues

{Tape: 1; Side: A; Approx. Time Counter: 10 - 25.8}

Presented by:

Geoff Feiss, Montana Telecommunications Association
Amy Grmoljez, Browning, Kaleczyc, Berry and Hoven (for Verizon)
Rick Hayes, Qwest
Mike Sheared and Bonnie Lorang, Montana Independent Telecommunications Systems
Greg Jergeson, Public Service Commission (PSC)

Greg Jergeson, Commissioner and Chairman, PSC, opened. He talked about the 1996 Federal Telecommunications Act, and the breakup of Ma Bell. He said that Congress passed another bill instituting a

new language known as acronymism. The new language was entrusted to the FCC, state public utility commissions, and a number of telecommunication providers. He said that the language is strong in acronymisms, and has very little meaningful use of languages used around the world; such as, English, Spanish, Chinese, etc. He gave some examples: The second proposed amendment states that IA to comply with decisions of the FCC-RO, USDA decision, and the FCC interim rules, a number of meanings which could originally be existing IA, which is no longer available. Another one; NEO, EEL, consists of something, designated transport between COs, etc.

Commissioner Jergeson informed the Committee that the 1996 Telecommunications Act was the response from Congress on the breakup of Ma Bell. There was a notion of monopoly power in the area of this utility that was not offered to the public, benefits of competition. The regulation regimes that had been instituted nationally in the 50 states and the territories were not satisfactorily substituting for the competition, which denied this, and is its own regulator in other industries. The 1996 Telecommunications Act has a lot of language that created a competitive environment, which had previously been a monopoly utility for many years. He said there is a huge capital investment in providing the kind of infrastructure that is necessary to all potential customers. He said that telecommunications had to be a highly network system or it probably wouldn't be of much value. He talked about other telecommunication providers and various services competing for the customer dollar. He said, what wasn't anticipated, was trying to foster competition in the industry that had 50 years of not having competing companies going out and building, and trying to duplicate the infrastructure of a industry that was already in place. He discussed; 1) how a utility survives another company, 2) how communications go across the network system, and 3) how various companies compensate one another for the cost of customers on the system. He talked about telecommunication utilities competing, and compared them to watching a hockey match, and the PSC having to step in and arbitrate and mediate to resolve issues between the competing carriers and entities in the telecommunications industry. He discussed the monopoly not having any interest in providing service to customers, because the cost of providing the service in the rural areas was too great for them to recover on their investment. He talked about the universal service and telecommunication's tax on the telephone bill that assisted the infrastructure of the rural areas. He compared Montana with Denver telecommunications. Denver has a population of 2 million, and the telecommunication system who provides the service have made the metropolitan area all local calls, no long distance calls, while Montana's

population of 960,000, have various carriers who charge long distance to the next town no matter how close they are.

{Tape: 1; Side: B}

Geoff Feiss, representing Montana Telecommunications Association (MTA), started his presentation by showing the Committee members a large fiber optic cable that is filled with many telecommunication wires inside. He distributed a handout giving a summary of his topic (see Exhibit 1). He also handed out information on the background of independent telephone companies in Montana (see Exhibit 2). He did a PowerPoint presentation on MTA, and the telecommunications infrastructure in Montana. He talked about the 16 rural independent providers, and the areas they service. He talked about the investment in rural telecommunications (telco), and the members who make this happen, such as; 3 Rivers Communications, Blackfoot Telephone Cooperative, Hot Springs Telephone Co., etc. He gave statistics on the number of employees involved, the miles of fiber optics in Montana, and the companies' payrolls (see Exhibit 3). He distributed a handout titled: Washington - Telecom & Media Insider, Special Edition for 2005. It is information for telco providers, showing what is currently happening in the telco industry, and what their expectations are for the future (see Exhibit 4).

{Tape: 2; Side: A}

He talked about stress on the Universal Service, and how it is at risk due to wireless carriers coming on board. The Universal Rates go up when the demand for land lines go down. Software can be ordered over the internet for phone service, which are attached to the computer, and these people do not pay any Universal Rates.

[EXHIBIT \(ens78a01\)](#)

[EXHIBIT \(ens78a02\)](#)

[EXHIBIT \(ens78a03\)](#)

[EXHIBIT \(ens78a04\)](#)

Bonnie Lorang, Director of Montana Independent Telecommunications Systems (MITS), distributed exhibits 5, 6 and 7. Exhibit 5 is a list of towns in Montana that have broadband service through the Independent Telecommunications Carriers of Montana, such as; 3 Rivers Tel. Co-op, Blackfoot Tel. Co-op., etc. Exhibit 6 is her power point presentation that she went through explaining how MITS works in Montana. Exhibit 7 is a summary on who MITS is and how they operate. MITS is owned by five of Montana's telephone cooperatives; 3 Rivers (Fairfield), Blackfoot (Missoula), Nemont

(Scobey), Northern (Sunburst), and Triangle (Havre). Vision Net also supports 100 interactive TV sites for schools K-12, Montana's colleges and universities, and commercial studios located in various communities throughout Montana. Vision Net is also used by banks, grocery chains, law firms, rural telemedicine sites, and Montana District Court sites. **Ms. Lorang** informed the Committee that Montana is listed as one of the top ten states in teaching students by telecommunications by Vision Net.

Ms. Lorang talked about the Yellowstone Regional Internet Exchange, called YRIX. It is a service provided between internet service providers in the greater Yellowstone area, who provide improved performance services to customers of participating internet providers. YRIX was formed by four companies; OneEighty Communications, Inc. (Billings), Visionary Communications, Inc. (Gillette, WY), Vision Net, Inc. (Great Falls), and iConnect (Helena). One of YRIX goals is to stimulate regional economic development by addressing the needs of current and prospective businesses for fast and cost efficient internet service. **Ms. Lorang** talked about the public policy challenges that came out of the 1996 Telecommunications Act; called, Competition, Access Reform, and Universal Services (CARUS), and the challenges how to fit the pieces together to make sound public policy.

[EXHIBIT \(ens78a05\)](#)

[EXHIBIT \(ens78a06\)](#)

[EXHIBIT \(ens78a07\)](#)

{Tape: 2; Side: B}

Rick Hayes, Qwest Telecommunications, distributed a handout that takes a look how Qwest operates, who they serve, and policies used. He presented a PowerPoint show for the Committee members to follow along with the handout. He informed the Committee that Qwest also operates in 13 other Midwest and Western states. He talked about local service companies that Qwest competes for business and residential service. He discussed the wireline competition that Qwest competes with in Montana. He talked about the wireless service that opened up with the 2003 Telecommunications Act in Montana, and brought competition to Qwest. He informed the Members that Qwest wireless is a small company compared to Verizon, Cellular, 3 Rivers Communications, and others not listed. He stated that according to the FCC, wireless telephone lines increased by 34 percent between December 2001, and December 2003, while the number of landlines, which is Qwest's core business, decreased dramatically. He gave statistics on the number of wireless phones in Montana is 374,000, compared to 502,000 in landlines.

EXHIBIT(ens78a08)

Amy Grmoljez, representing Browning, Kaleczyc, Berry and Hoven (for Verizon), gave a demonstration on the use of a "Blackberry", a cell phone with text messaging and a camera. She also demonstrated the Blue Tooth, a wireless ear piece, when programed, is hands free. She distributed a handout on a press release from Verizon showing a major investment and upgrade of \$75 million in the enhancement of their wireless service, which includes \$15 million currently used in 2004. One of the enhancements is the expansion of the company's call capacity in simultaneous voice and data, which has increased by 70 percent in 2004 over 2003. **Ms. Grmoljz** stated that it cost Verizon from \$500,000 to \$750,000 to build a new tower, because of investments in land, or lease, or right-of-ways, and other network enhancements.

EXHIBIT(ens78a09)

ADJOURNMENT

Adjournment: 5:20 P.M.

SEN. KEN TOOLE, Chairman

CLAUDIA JOHNSON, Secretary

KT/cj

Additional Exhibits:

EXHIBIT ([ens78aad0.TIF](#))